

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

CONFERENCE COMMITTEE ON HOUSE AMENDMENTS TO SENATE BILL 424

Call to Order: By **CHAIRMAN BOB STORY JR.**, on April 25, 2003 at 11:40 A.M., in Room 422 Capitol.

ROLL CALL

Members Present:

Sen. Bob Story Jr., Chairman (R)
Rep. Joan Andersen, Vice-Chairman (R)
Sen. Fred Thomas (R)
Sen. Linda Nelson (D)
Rep. Verdell Jackson (R)
Rep. Nancy Fritz (D)

Members Excused: None.

Members Absent: None.

Staff Present: Eddy McClure, Legislative Branch
Judy Feland, Committee Secretary
Mari Prewett, Transcription of Minutes

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 424, 4/21/2003
Executive Action:

SEN. STORY asked for someone from the School Boards Association to talk about federal retirement.

Bob Vogel, Montana School Boards Association, stated that they were resistant to the whole idea of the federal retirement language. He went on to say that their preference would be to delay the application of the federal retirement and look at entitlement increases.

Amy Carlson, Governor's Budget Office, distributed a handout entitled "Fiscal Impacts of SB 323," attached as Exhibit 1. **Ms. Carlson** referred to Exhibit 1 and explained the changes that had been made to make the proposal more agreeable to all concerned.

EXHIBIT (cch88sb0424a01)

SEN. STORY asked Ms. Carlson if she knew how many people taught the special groups. **Ms. Carlson** stated that she had assumed one quarter of the salaries would be special education salaries with the rest being non-special education.

REP. FRITZ asked Ms. Carlson about impact aid. **Ms. Carlson** replied that salaries paid for impact aid would be charged to impact aid funding. She went on to say that it was more flexible, so she felt districts would move as many salaries as possible into the general fund. She concluded that it was included in the numbers she had provided.

SEN. STORY asked Mr. Vogel how fast the transition would be to the proposed program, and what difficulties they could expect to encounter. **Mr. Vogel** responded that he did not know if there would be a particular problem with phasing in special education. He went on to say the real problem that they saw with the federal retirement piece, was that it would impact the districts and the kids that they didn't want to impact, (special education and Title 1 kids).

SEN. STORY and **Mr. Vogel** further discussed the mechanics of the transition.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 8.9}

Steve Johnson, District Clerk, Bozeman School District, stated that the transition would cause some problems for some school districts. He proceeded to give examples of problems that could be encountered.

SEN. NELSON asked Mr. Vogel where the money would come from to give the 2-1 increase. **Mr. Vogel** replied that the money would

come from the block grants. He then deferred to Amy Carlson for further answer. **Ms. Carlson** referred to Exhibit 1 and explained where the money came from.

SEN. NELSON, Ms. Carlson, SEN. STORY, SEN. THOMAS and SEN. THOMAS discussed the impact of the proposal on the taxpayers and the entitlements.

{Tape: 1; Side: A; Approx. Time Counter: 8.9 - 15.8}

SEN. NELSON asked Madalyn Quinlan's perspective on the proposal. **Ms. Quinlan** stated that if there was a 2% increase and a 1% increase and none of the rest of the proposal, there would be a local property tax increase for the base budget. She went on to discuss what would happen if the State pulled back on the block grants.

Amy Carlson explained that when the State pulls back \$10.5 million from 124 Block Grants they have to backfill with \$2.2 to \$2.3 million, which would reduce the \$10.5 million to \$8.3 million, thereby creating a net savings to the State of \$8.3 million and costing the taxpayers \$8.3 million.

SEN. STORY stated that basically the proposal would take the 15% federal money and route it around to where it would end up back in the general fund.

{Tape: 1; Side: A; Approx. Time Counter: 15.8 - 19.4}

SEN. NELSON asked if the schools would have to raise local mills to cover up the loss of federal funds. **Ms. Carlson** replied that they were not taking the money away, they were disallowing them to charge the locals and the State for their federal programs.

Ms. Carlson informed the Committee that between 2003-2004, on average, on all federal programs that go through the Office of Public Instruction, there would be a 14% increase in federal funds. Special education would be higher, with some of the other programs lower, but overall an increase. She went on to say that the 14% increase should help the districts absorb the change. She continued by saying that with this change they would be able to afford the entitlement increases which cannot be afforded otherwise.

SEN. NELSON asked who the winners and losers were going to be. **Ms. Carlson** explained that she had a handout which showed the impact on counties which she would have copied and distributed to the Committee.

REP. JACKSON and **Amy Carlson** discussed how the influx of federal funding would provide the school districts with more flexibility in their budgets.

Madalyn Quinlan stated, that no matter what they did, if a district were at its maximum budget, they would have to reduce services or increase property taxes to cover expenditures.

REP. JACKSON asked Ms. Quinlan if they increased the entitlements if it would take care of the cap. **Ms. Quinlan** responded that when the entitlements were increased the cap would increase.

REP. JACKSON and **Ms. Quinlan** discussed the cap in further detail. They further discussed whether or not there genuinely was flexibility in spending tied to the federal funds.

{Tape: 1; Side: A; Approx. Time Counter: 19.4 - 30.7}

A handout entitled "Impacts of SB 323 on County Levies" was distributed to the Committee and is attached as Exhibit 2.

EXHIBIT (cch88sb0424a02)

Dave Puyear, Montana Rural Education Association, stated that the Consumer Price Index (CPI) was very important to their schools. He continued to say that if a CPI had been put in place in past years, they would not be in the bind that they find themselves in today.

Bob Vogel, Montana School Boards Association, stated that they liked the inflationary adjustment, the CPI, from the time that SEN. GLASER first raised the idea. He went on to say, that what they liked, was that it was not an entitlement but a present law base that would have an inflationary adjustment in it.

SEN. STORY asked Mr. Vogel to explain the present law concept.

Mr. Vogel replied that the present law adjustment would have an inflationary index in place at the start of the next session. He continued that the adjustment would be made prior to the budget discussions at the beginning of the session and would set the present law base for the school budgets. He went on to say that the CPI would take into consideration both increases and decreases in inflation.

REP. JACKSON asked Mr. Vogel if they used an inflationary factor that was an average, if it would be more appropriate. **Mr. Vogel** replied that it was already in the language to use an average.

REP. JACKSON and **Mr. Vogel** discussed the averaging concept in greater detail.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 7.4}

REP. ANDERSEN asked Mr. Vogel if it would be easier to arrive at a particular percentage, rather than trying to figure the percentage every year, if they added an inflationary factor. She went on to say that this method would give more predictability.

Mr. Vogel replied that he liked the idea of predictability. He went on to say that it also would defeat the purpose of having a CPI and index.

SEN. NELSON asked Mr. Vogel who the federal employees were. **Mr. Vogel** replied that the programs with employees paid by federal funds were impact aid, Title 1, IDEA and special education.

{Tape: 1; Side: B; Approx. Time Counter: 7.4 - 11.2}

A handout from Lance Melton, Montana School Boards Association was distributed to the Committee and is attached as Exhibit 3.

EXHIBIT (cch88sb0424a03)

REP. FRITZ asked if in talking about federal funds they were talking about the Title I funds and the special education funds. **Mr. Runkel** responded that there were three sets of federal funds. Those being the IDEA Part B funds, the Title I funds, and the Impact Aid funds.

REP. FRITZ asked Mr. Runkel if the average for funding special education was presently 17%. **Mr. Runkel** responded that the latest figure he had was that the federal share of the 40% promise was 17%.

REP. FRITZ asked Mr. Runkel if the increase would bring the federal share to 19%. **Mr. Runkel** replied that they expected the figure to grow to 19% or 20%.

REP. FRITZ asked Mr. Runkel if she was correct that in Missoula the federal dollars provided funding for only 28 people of the 111 employed for special education, with their general budget picking up the other 83. **Mr. Runkel** stated that she was correct.

REP. FRITZ asked if that number would be normal for the larger schools around the State and other states in the Union. **Mr. Runkel** replied that it would be about that ratio for the rest of

the schools within the State. He went on to say that proportion could be different for other states.

REP. FRITZ asked if the schools around Montana were funding the direct costs for special education out of the federal dollars.

Mr. Runkel replied that they could not.

REP. FRITZ then asked Mr. Runkel how they were going to be able to pay the retirement costs out of the federal funds when they did not cover the other costs. **Mr. Runkel** stated that the schools would have to find a way to backfill the change.

{Tape: 1; Side: B; Approx. Time Counter: 11.2 - 17.3}

SEN STORY asked Mr. Runkel if he was correct in assuming that the federal funding would not cover all 111 of the employees that **REP. FRITZ** had been talking about. **Mr. Runkel** replied that he was correct. He went on to explain his understanding of the provisions of the bill.

SEN. NELSON and **Bob Vogel** discussed the phasing in of the federal retirement issue and the Board's views on the entire matter.

SEN. NELSON asked Mr. Runkel to address how the retirement provisions would affect the federal maintenance of effort requirement. **Mr. Runkel** responded that there was, in federal special education law, a requirement that public school districts maintain fiscal effort. He continued that the bottom line was that districts needed to spend in one year the same amount in local and state funds that they had spent in the prior year. He went on to explain how the amendment would effect the maintenance of effort issue.

{Tape: 1; Side: B; Approx. Time Counter: 17.3 - 24.6}

REP. JACKSON asked Mr. Vogel if as an Association, they could support the proposed idea, if it were phased in over a number of years. **Mr. Vogel** stated they would resist the idea because they saw the impact it would have on the dollars that a school district would have to spend on programs and salaries. He continued that what their hope would be in delayed implementation, was that there would in fact, at some point and time, be additional State dollars.

REP. JACKSON asked if the school districts were losing money as a result of the proposal they are working on. **Mr. Melton** responded that it would depend on the district. He continued to discuss the issue as it related to the high schools and the elementary

schools. He concluded that there were some that would lose and some that would win under the proposal.

{Tape: 1; Side: B; Approx. Time Counter: 24.6 - 29.3}

{Tape: 2; Side: A; Approx. Time Counter: 0 - 2.2}

REP. JACKSON and **Mr. Melton** discussed Exhibit 1. **Mr. Melton** concluded by reiterating their concerns that they would not receive the amount of revenue that was predicted by the Exhibit.

{Tape: 2; Side: A; Approx. Time Counter: 2.2 - 4.8}

SEN. NELSON asked Ms. Carlson if the Indian Reservations would be impacted more than the others because of them receiving more federal funds. **Ms. Carlson** replied that the property taxpayers in those areas would receive greater property tax reductions.

{Tape: 2; Side: A; Approx. Time Counter: 4.8 - 5.9}

ADJOURNMENT

Adjournment: 12:50 A.M.

SEN. BOB STORY, JR., Chairman

MARI PREWETT, Secretary

BS/MP